The Azerbaijan Social Review Commission

Fifth Report

August 2011
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Introduction

This is the Fifth annual Report by the Azerbaijan Social Review Commission (The ASRC). Previous Reports are available at www.bp.com/caspian.

The Commission met in Baku in May 2011, spending five days together, meeting with BP and visiting communities in the Sangachal area. This report is the product of that week’s observations and discussions.

The structure of this Report follows that of its predecessors and is laid out as follows:

The work of the commission
BP’s boundaries
BP’s macro-economic and broad societal impact
BP’s operational impact
BP’s community programs
BP’s engagement with Azerbaijan society

The task of the ASRC is to provide BP with Challenge, Advice and Assurance with regard to the social impacts of its activities in Azerbaijan. As we always point out, it is not possible for a small group to interrogate in depth or detail something on the scale of BP in Azerbaijan through a one week visit. The ASRC does not regard itself as a monitoring body because it meets only once a year for a short review of aspects of BP’s social performance in Azerbaijan, essentially a ‘snapshot’. In particular on this occasion the Commission has not revisited communities along the pipeline corridor or examined community programmes in detail. What the Commission has been able to do in a short time is to review BP’s overall approach, interrogate some specific areas such as civil society engagement, and sample some community projects near the Sangachal Terminal.

It has been one year since the Commission members have come together as a group. Since its inception, the Commission has each year noted major changes in the context in which BP operates, such as the global economic crisis and the Deepwater Horizon rig accident in the Gulf of Mexico. This year, 2011, we have seen the political upheaval of the Arab Spring. Internally also BP has changed significantly since the ASRC was established; the Commission has worked under three Chief Executive Officers of BP, three Presidents of BP Azerbaijan and many changes of staff in the BP Azerbaijan External Affairs team. We hope the ASRC has been a useful consistent voice through these changes. One lesson we take from this is the importance of looking ahead at potential change and preparing for future risks.

The Commission would like to thank BP staff for all the work they put into organising the visits to communities, the meetings in Baku, and for providing the ASRC with information, presentations and responses. This makes the Commission’s work possible, and it is appreciated.
The Work of the Commission

In 2010/11 the Commission met once as a whole group, in May, for five days of discussions with BP and visits to communities near the Sangachal Terminal. The observations that come out of those five days are in the nature of a short sampling exercise and naturally not comprehensive.

The Commission was set up in 2006 with a remit for three years. In October 2009, the President of BP Azerbaijan wrote to the Chair of the ASRC saying that the ASRC had been instrumental in helping the company recognise trends, challenges and longer term issues and in so doing had increased BP’s ability to ensure the quality of social performance. The Chair was invited to convene a slightly smaller ASRC to continue its work for a further two years. We are now at the end of those two years and so the ASRC has existed for 5 years and produced 5 reports.

It is of course for BP to decide if it needs a continuation of the ASRC or a similar body. Our own view, attempted objectively, is that BP has benefited from the ASRC reviews. BP has responded positively to some of our recommendations. As a new construction phase approaches for BP, we would emphasise once again the need to look ahead to and manage the risks that come with that kind of operation and the changes involved with it. During the BTC construction, BP had several levels of external monitoring. While a return to that degree of scrutiny may not be necessary, this Commission believes that some form of external view and comment is needed, to see things from a different perspective, to challenge, be able to express views that BP might find difficult, and at times perhaps provide pressure for BP to do something it might not otherwise have done. We believe BP should put in place a monitoring programme for the new construction. Whether or how a body like the ASRC fits into that programme, and if it does who the membership of that body should be, we leave to BP to explore.

As always, for this current report the Commission has focused on what it saw as the most important issues. Other issues that are not featured are omitted not because they are not significant but simply as a result of time constraints.

We found BP to be open and candid in its presentations and responses to our questions. This is commended.

The Indicator list which the ASRC proposed in its First Report proved helpful to the work of the Commission and we continue to believe it should be a useful tool for BP’s observations of its social impacts over the long term. BP is a very large part of the oil and gas industry in Azerbaijan. If the revenues and economic activity of that sector benefit Azerbaijan in the next 10 years there should be demonstrable improvements in health, access to clean water and sanitation, and education in Azerbaijan. The long term social impact of BP’s activities in Azerbaijan will ultimately be measured by the socio-economic development of Azerbaijan at national level.
BP’s Boundaries

The ASRC has from its beginnings recognised that there are boundaries both to what a foreign commercial company can or should address. The Commission however also holds the view that BP has a constructive and appropriate part to play in Azerbaijan in improving good governance, high levels of transparency, low levels of corruption, effective institutions and respect for the rule of law. As we have said before, this means often operating close to dynamic boundaries.

We believe BP has actually moved its boundaries in the years the ASRC has been in operation. For example, we believe BP has moved further with suppliers and anti-corruption processes than it was once comfortable doing. We urge the company to go further still in influencing Azerbaijani society more widely.

External reports on the human rights situation in Azerbaijan continue to say that many rights are not upheld and in many cases respect for human rights is deteriorating. BP’s clear support for the Rule of Law and international standards of human rights protection is an important influence in Azerbaijan and also a statement of BP’s values. A poor human rights situation risks creating social tension and conflict and an environment that is not good for business operation or reputation. It is in BP’s long term interests to do what it can to influence its own future environment, something we encourage the company to do. BP’s business and social impact will be better in an open society. BP is urged to find ways to express support for the fundamental freedoms of such a society.

We also repeat here a previous recommendation that BP should develop a risk management plan to anticipate and respond to a possible deterioration in the human rights situation and challenges to the rule of law, considering responsibilities to employees and communities.

We previously raised the case of the arrest and detention by Azerbaijani authorities of bloggers Emin Milli and BP employee Adnan Hajizadeh. The ASRC has commended BP for the actions it took in support of its employee. BP has a duty of care to employees which does not stop when they leave BP premises. We urge BP as part of that duty of care to consider re-employing its now released former employee.

The events of the Arab Spring have brought attention to the political risks inherent in more autocratic environments with high levels of corruption. The disturbances now in play across a wide region are essentially civil society led. BP’s business in Libya is currently ‘in hibernation’, an example in the extreme of the relationship of political and business risk. The Commission is not predicting or even suggesting the possibility of similar events in Azerbaijan but is strengthened by those events in its view that BP should aim to be ‘anchored’ in

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2 Quote from Bob Dudley, CEO of BP, at the public launch of the BP Statistical Review of World Energy, BP’s HQ in London, June 8th 2011
Azerbaijani society as an independent force for good in Azerbaijan. We go into this in more detail later in this report.

We maintain the view that BP is playing a positive role in Azerbaijan society. BP’s approach and standards should evolve with time. BP’s leadership is not only an example of its values but also a contributor to a better Azerbaijan.
BP’s Macro-Economic and Broad Societal Impact

The macro level indicators that BP maintains for the ASRC show that Azerbaijan has maintained positive GDP growth during a period of widespread economic difficulty, although the 5% GDP growth rate in 2010 was lower than the 9.3% of 2009, and the IMF forecast for 2011 is not encouraging at 1.8%. The Asian Development Bank has made a more optimistic forecast of 5.8% for 2011-12. The flattening GDP growth reflects Azerbaijan’s flattening oil production profile. Non-oil growth in 2010 at 7.9% is encouraging after the drop of 2009.

Development of the non-oil economy in a sustainable manner is important for the legacy of hydrocarbon production in Azerbaijan – that the value generated by oil and gas production is used for long-term widespread benefit. The social impact of BP’s activities on Azerbaijan as a whole will be determined by the wise use of industry revenues. BP is encouraged to play a role in maximising the positive effects of these revenues, through its leadership and influence in, for example, reducing the value-destroying activities of corruption, helping to achieve wise economic management in Azerbaijan, and building capacity.

Azerbaijan’s score in the Transparency International Corruption Perception Index remains worryingly low. Azerbaijan remains a country with high levels of corruption that are likely to inhibit sustainable development and positive social impact. The Commission encourages BP to continue to contribute to anti-corruption endeavours in Azerbaijan through its public position on the issue, and through its contractors, its procurement and supply activities, and by working with others including Government and civil society, to promote anti-corruption approaches and further improve transparency and governance. The Government has adopted a new anti-corruption programme which provides BP with the opportunity to expand its anti-corruption influence and contribute to that programme.

During the year, the Revenue Watch Institute with Transparency International published the report ‘Promoting Revenue Transparency’ which rated transparency of countries and companies in the oil and gas sector. The Report stated that in Azerbaijan SOCAR and Statoil scored more highly than BP in Corporate Disclosure. The higher SOCAR score may be due to SOCAR being a solely Azerbaijani company and therefore reporting more fully and comprehensively on its activities in Azerbaijan. However, the Commission would like to see BP score at least as highly as Statoil in Azerbaijan. One member of the Commission has offered to assist BP in understanding the scoring process used so BP can aim to increase its score for any future such review.

The Report also rated companies in terms of their reporting on anti-corruption programmes. BP scored relatively highly in the list of companies, being third in the table (behind BG and BHP Billiton) with a score of 84%. SOCAR appears at the bottom of the table, jointly with some other companies, with a score of 0%.

3 ADB Press Conference April 19th 2011, as reported by Interfax.com
The Commission would like to see BP work with SOCAR to help them raise their score in this assessment. This would be a significant contribution to anti-corruption efforts in Azerbaijan.

The reported continued deterioration in respect for human rights in Azerbaijan, particularly against the backdrop of the Arab Spring events, presents increased risks for BP. We feel the need to reiterate previous calls for BP to apply increased diligence and exploration of possible opportunities to support Rule of Law initiatives. We have in the past suggested possible initiatives and partnerships that BP could consider, such as legal assistance and consultancy services in community and agricultural development projects in order to encourage civic responsibility and awareness of rights among beneficiaries.

The socio-economic indicators of health, education, food and water that BP tracks and presents to the Commission each year are absent of data for 2010. We would like to see BP continue to track such social welfare indicators, to help analyse the societal impact of oil and gas revenues on health, education and nourishment, and propose that BP find alternative reliable sources of such data so changes can be examined. The indicators originally chosen may not be the most appropriate but the data should be available within Azerbaijan.

These are all long-term indicators that will show over time the impact of oil and gas wealth on the communities of Azerbaijan.

The Commission urges BP to continue to monitor macro indicators of Azerbaijan’s development. Although these indicators are clearly not within BP’s management, over time they will demonstrate the broader impact of the oil and gas industry on Azerbaijan, in terms of its productive economic development, progress in health, education and access to clean water and food, and good governance.

In our last two reports we have urged BP to review its crisis response procedures in the light of the public services response to the shooting incident at the Oil Academy in Baku and the Deepwater Horizon accident in the Gulf of Mexico, with an aim to assess capacity and response procedures in the event of a major offshore or onshore accident. We have also asked BP to increase communication with civil society groups to build confidence. We will consider the communication issue in more detail later in this report. On crisis response, BP presented to the Commission its Response Plans, coastal protection plans, and collaboration with the Ministry of Emergency Situations. The Commission was pleased to see the level of attention placed on crisis response and was assured that public service capacity in the event of a major accident at Sangachal Terminal is believed to be appropriate.
BP’s Operational Impact

In BP’s own operations, the indicators that BP presented show that the percentage of professional Azerbaijanis in the BP workforce has slightly increased once more to 87% in 2010. While it is good in general to see this proportion continuing to rise, we believe there may be certain positions in the company that might be appropriately filled by expatriate staff who, because of their separateness from Azerbaijani society, might be better able to make objective decisions or, for example, resist external pressures or present BP in the public sphere as more independent and hence build trust. BP is obliged to meet PSA requirements in the proportion of national staff. The Commission feels these targets should be met with some consideration of the sensitivities raised above. BP’s policy is to put the right person in the right job, in a meritocratic approach, endorsed by this Commission, with the caveat that very occasionally being an expatriate may contribute to being the right person for a particular job, and a degree of heterogeneity is good for identifying and managing risks.

The Commission is aware of perceptions by some of nepotism in BP’s recruitment process. Such perceptions are understandable and unlikely ever to go away completely. But BP should make extra efforts in communication and transparency, perhaps via external monitoring of the recruitment process, to dispel such views.

The increase in spending on Small and Medium Enterprises (SMEs) is also welcomed. BP presented to the ASRC its strategy on Local Content Excellence. This was well received by the Commission. The approach by sector is diligent and useful and has resulted in many successful local projects. BP has helped develop suppliers in weaker sectors. The approach also provides a very good base for new operations and the Shah Deniz 2 development. By contributing in this way BP may help develop Azerbaijani businesses of international significance. Unlike the staff localisation programme, these activities are voluntary on BP’s part, not dictated by PSA terms, which gives more credit to BP for pursuing them. The Commission therefore encourages BP to continue in this good work and develop its local suppliers even further.

The Commission would like to repeat a previous request that BP also explores labour standards with its suppliers and works with them if needed in meeting and improving labour standards, in partnership with skilled NGOs where appropriate.

The replacement of what was BP’s Enterprise Centre in Baku by a virtual centre looks to have been a successful move. This move was of some concern to the Commission at the time of the change but we have been reassured by the success of the supplier development programme.

The excellent continued safety record on work injuries is also good to see.
BP’s role in reducing corruption in Azerbaijan has been raised in most of our previous reports. We have consistently pressed BP to go further in exercising its influence and sharing its practices. At our meeting this year BP presented its new Anti-Corruption and Anti-Money Laundering Process. The Commission was pleased to see BP expanding its process with suppliers. This is commended. The Commission would like to see BP continue to improve its processes with suppliers going further, and also share its approaches with others in order to have wider influence. BP has a leading role in anti-corruption behaviour in Azerbaijan. The Commission believes that BP could build more on that leadership position, for example by issuing all staff with cards that clearly state the company’s position on corruption and which staff could use to show external parties that as employees of BP they do not engage in corrupt practices. Such a scheme could be spread over time to suppliers and beneficiaries of community programmes.

It has become a regular request of our Reports that BP revisit its decision to halt external monitoring of security performance against the Voluntary Principles on Security and Human Rights. As new pipeline construction approaches, this request takes on more weight because of the increased risk of protest or community disturbance. The reported continuing deterioration in the human rights situation only adds to this concern.

This year the Commission visited the Sangachal Terminal once again and enquired about gas flaring and emissions in the area. In previous years we have been concerned about the level of flaring and plans for the future.

The Commission was pleased to see that the amount of gas flared at the terminal had decreased in 2010 and would decrease further in 2011. Anecdotal evidence received by the Commission supports the view that the main terminal flare is perceived by external observers to have been much smaller in the past year. We welcome this reduction and encourage BP to continue to set challenging reduction targets and meet them.

The emissions monitoring in the area of the terminal is a good piece of work. High levels of some pollutants, e.g. Benzene, in some local places may be the result of traffic or trains transporting oil products, or local diesel generators. Since these emissions are near local communities, the Commission sees a role for BP in helping address them through a regional coordinated approach.

As part of the Shah Deniz development, the Terminal will be expanded. An ESIA (Environmental and Social Impact Assessment) will be conducted for this expansion. As part of this ESIA we understand that the impacts of neighbouring industries will be included. The Commission proposes that BP embarks on a wide and integrated ESIA, possibly together with other industries in the area, and looks at broad social development and environmental impacts. We would like to see BP’s best practice spread to influence and help others in the region. This is in BP’s interests since BP is likely to be blamed for poor performance by other businesses in the vicinity. The region is an industrial zone and lends itself to a coordinated integrated approach. Our understanding is that a social plan for the region exists which BP could contribute to. There are illegally built houses in
the area which present a problem that BP might be able to help resolve in a fair way. There are social issues such as potable water that could be addressed in a coordinated plan, with benefit to BP’s reputation in local communities.

With the expansion of the Terminal and construction of a new pipeline and offshore infrastructure, there will be a large construction workforce one again. The Commission would like to see BP prepare for this change well in advance. There are many lessons to be learnt from the earlier period of construction in Azerbaijan. Any such large change brings with it risks and social impacts, e.g. local employment contracts, monitoring of workers’ rights, security problems including procedures for managing protests, changes in social environment as a result of influx of workers, management of lay-offs at the end of construction, etc. A formal review of lessons learnt earlier, coupled with a social impact assessment of the new construction should result in a wide-ranging plan to avoid negative impacts and enhance positive ones. Such a plan should also include professional education and skill development for affected community members to enhance BP’s employment efforts. BP’s aim should be to do even better in this phase of construction than it did before; an achievable aim since any mistakes made the first time should not be repeated as a result of lessons learnt.

Some lessons learnt from a review of the first stage of construction should point toward required training of the workforce, for example anti-discrimination training.

The new construction may be some time away but the Commission urges BP to start that thorough preparation process early.
BP’s Community Programs

This year the Commission visited a few examples of apprenticeship programmes in communities in the Sangachal area, and what is known as the UMID community programme. This is the third time the Commission has visited this area.

The Indicator data provided to the Commission shows an increase in BP’s social spend of $1.4 million. However, most if not all of this increase is accounted for by the new School of Project Management, the establishment of a Chemical Engineering Department at Qafgaz University and the publication of a book about Haji Zeynalabdin Taghiyev. While these may be worthwhile projects, (and we support BP’s involvement in capacity building via educational initiatives), the Commission would like to see BP clearly maintain its spending on social projects at community level. From the data provided this is not clear. Our view is that BP should separate out spend on educational or cultural projects from spend on community projects, so that spend and involvement in community development can be identified and monitored.

With new construction coming, we expect to see a rise in BP engagement with communities and a rise in community projects spend. Planning with foresight should be able to minimise community disruption and optimise community benefit. BP’s social spend strategy is essentially one of risk reduction with an aim of reducing social spend to ‘a long-term sustainable level’. Risks rise with construction and so should social spend, ahead of that construction as well as during and following it. The Commission understands BP’s desire to reduce costs but also urges BP to retain social and community spending at a level even some time after construction that makes a significant contribution to social development in Azerbaijan, with a focus on capacity building and sustainable development, and helps anchor BP locally as well as at national level.

The Commission revisited the garment manufacturing project run by UMID near the Sangachal Terminal. When this site was first visited we were encouraged to hear a successful story of self-employment and production. On our second visit we were disappointed to see a decline in sales and optimism. This year we were again encouraged to see that sales had recovered, marketing of products seemed to have improved, and there was a brighter view of the future and long-term viability of the enterprise. This is a good recovery. There appears still to be fragility and a need for help in marketing and product quality which BP may be able to facilitate. Improvement in marketing and sewing skills would help strengthen the business. The Commission had some concerns about the possible involvement of children in the sewing of products. While the passing on of skills from parent to child is valuable, employment of children and possible effects on schooling should be carefully addressed. In general BP is urged by the Commission to follow through on community projects to ensure that labour conditions in general and child involvement in particular are to appropriate standards. There are NGOs that can assist BP in such due diligence.
The Commission also visited some examples from the apprenticeship programme run by UMID. We saw examples of Hairdressing Salons and a window and door assembly workshop. These examples leave a good impression. The apprenticeship programmes are needed, develop valuable skills, and are done well. It was especially encouraging to see the manufacturing example. The Commission would like to see BP enable ‘follow-through’ in these apprenticeships in the form of equipping those involved with skills in anti-corruption processes (drawing on BP’s expertise and leadership), dealing with tax issues, labour rights, regulations, etc.

It is not a unanimous view of the Commission but something that BP might explore, that the Apprenticeship program could be linked with Vocational Colleges to formalise the certificates gained by apprentices.

Following a proposal by the ASRC last year, one of the Commission members has been involved in a review of BP’s agricultural programmes, run by the Ganja Agribusiness Association, GABA. The development of agriculture in Azerbaijan is an important part of the country’s sustainable development. The Commission has in the past recommended that BP support this development and is pleased to see this in practice. A monitoring report has been submitted to BP, the details of which are not repeated here, but a few points will be reiterated. In general the programme seems to be meeting expectations and is commended but there are some improvements that are proposed. These projects are well designed and good; the recommendations are to increase effectiveness. Technical information to farmers could be communicated more simply and clearly. Responsibilities for project success should be more clearly allocated to avoid dependency. The work lends itself to collective approaches - collective responsibility and practice could be established. There are changes to feedstock supplies and crop rotation that would improve programmes. BP is discussing the recommendations of the Review with the author; we hope there will be improvements in this important programme as a result.

The zero number of community complaints outstanding is welcomed. As new construction gets underway it is likely that complaints will rise. Planning ahead of the construction, based on lessons learnt from the past, should keep these complaints to lower numbers than previously and help resolve them more quickly.

The ASRC visited the Caspian Energy Centre and the cultural heritage exhibition there of archaeological objects from Azerbaijan. The exhibition was outstanding. The Centre is a very impressive educational facility which the Commission would like to see made more accessible to the general public. While we understand there are security issues because the centre is part of the Terminal, we believe these are surmountable. Regular occasional bus trips from Baku centre could be advertised and managed to high security standards. We also encourage the Centre to work with other museums in sharing exhibitions, and to explore a more formal role in educational policy.

In general in social strategy, we urge BP to stay involved with communities, to help communities achieve higher standards of living, of income, health,
education, water, etc. through capacity building in partnership with civil society and local government. BP has demonstrated it is able to make significant contributions to development in Azerbaijan and have positive impacts on the lives of many. The Commission looks to BP to continue that work, in its own interests and the interests of Azerbaijan.
BP’s Engagement with Azerbaijan Society

As we reported last year, BP is commended for its continuing engagement with Azerbaijan society, including its involvement with government in macroeconomic analysis, in effective governance projects, and the Business Enabling Environment. The Commission also particularly recognises the good work continuing to be done by BP through its support for business journalism training and the Inter-Agency Security Committee forum.

The Commission is however concerned that BP’s engagement with civil society could be better.

During the year there were revelations made through the Wiki leaks website regarding BP in Azerbaijan. BP Azerbaijan did not appear to respond publicly to the allegations. While the Commission understands the reasons given as to why BP decided not to respond, we believe that this resonated with what we perceive as a distrust of BP by some parts of civil society in Azerbaijan. The Commission also perceives that BP is seen as too closely attached to the Government, not as an independent voice.

Also during the year there were negative statements about BP made by a Trade Union leader. BP’s position on Trade Unions is understood. We encourage BP to include Trade Unions in their engagement activities, not as part of a negotiation with Trade Unions but as part of general civil society engagement which we describe below.

The Commission suggests that BP conduct a civil society mapping project, possibly with the use of external consultants, to identify and better understand the landscape of civil society in Azerbaijan. Such a map will then provide the basis for a plan of relationship building and communication with a wider spread of civil society. Relationship building and communication needs to be tailored to different parts of civil society, to be done using different techniques with different groups. In this way BP can build greater trust with a broader range of civil society.

BP engages with a limited number of professional NGOs. These NGOs do not (and should not) represent civil society as a whole. Nor should they be depended on to represent BP’s views more widely to other parts of civil society. We propose that BP takes a more proactive stance on civil society engagement, taking on different mechanisms (e.g. Think Tanks) and engaging a range of topics (e.g. Corruption, Governance, Safety, Environment). We believe that BP should also communicate more often with more people on the progress of projects.

Examples of different parts of civil society might include Bridge to the Future, the Civic Response Network, the League for Citizen’s Labour Rights Protection, teachers, farmers, youth NGOs, etc.

As part of a new civil society communication strategy, the proactive use of the community information centres should be explored, perhaps for updates on
projects, stories of those who have benefited from community programmes, information on current programmes, etc. The in-house journal Compass could be used more widely to good effect, and maybe differently as a dialogue tool, addressing a wider range of issues.

We wish to emphasise in particular that it is important to recognise that good communication is a two-way process which involves receiving as well as transmitting. BP should aim to develop excellence in listening skills in relationships and test that the company responds to what it hears. It is not enough to tell people what the company is doing, it is important to genuinely hear concerns and to honestly and constructively respond to them. It is also important to convey not just dry facts but commentary and views to ‘humanise’ the communication and as a result the company.

The Commission last year expressed concern about the restrictions being put upon NGO registrations. A thriving civil society is not only a benefit for society as a whole but provides a more open and less risky political environment for business. BP is encouraged to find ways to support civil society development and less restrictive NGO registration barriers.

BP makes a great contribution to Azerbaijan yet we perceive that it is distrusted by some, possibly many. The kind of programme we have highlighted here takes careful thought and effort and the right skills. It will result, we believe, in a BP that is more solidly anchored in Azerbaijan society and as a result has a more positive social impact.
Conclusion

The role of this Commission is to bring challenge, advice and assurance. Based on a relatively short review, and in a relatively short report, it is of course impossible to cover everything or even most things. As a result the Commission reports do not mention much good work that goes on. We tend to pass over much of that work without comment but it is recognised.

In a different format to our usual reports, we summarise below some of the areas where we feel we can provide the assurance, the challenge and the advice that is requested of us.

Assurance

Here we list some of the activities that we have seen as part of this year’s review which we believe deserve particular recognition -

Firstly, the overall level of activity and commitment of BP to Azerbaijan. As the development of Shah Deniz 2 progresses, the overall contribution of BP to Azerbaijan continues to grow

The SME localisation strategy and achievements, particularly since these are voluntary, not dictated by PSA terms

The anti-corruption programs for suppliers, which continue to develop and go further

The apprenticeship community programmes – these are needed and well done

The UMID programme clothing workshop in better shape than previously and with increased confidence in its future

The agricultural community programs – good programs well managed

The reduction of flaring and the future plans for further reduction

The Sangachal air quality monitoring programme

The Caspian Energy Centre, particularly the cultural heritage and educational component

Challenges

Increase spending on private SMEs

Prepare for the new construction – do it even better than before

Be an active contributor or even coordinator for the Absheron industrial zone development plans
Contribute even more to anti-corruption

Follow through the Apprenticeship and business development programme to help beneficiaries succeed

Ensure labour rights are in place in all BP-associated projects

Develop a more individual BP ‘personality’ more separate from the Government of Azerbaijan

Improve communication with civil society and society at large

Promote fundamental freedoms

Increase the use of and access to the CEC

Advice

Learn and apply the lessons of the previous construction phase: prepare security, the Voluntary Principles and labour rights monitoring, workforce recruitment, training and lay-off plans, etc.

Make the Sangachal area ESIA ahead of terminal expansion very broad and deep – look at the social impacts on a wide scale, e.g. influx of workers, effects on social conditions, etc.

Conduct external monitoring of the Voluntary Principles

Extend the anti-corruption programs to stakeholders other than suppliers

Establish help and training in legal, anti-corruption, tax, etc. procedures for beneficiaries of the apprenticeships and business development programmes

Assess the UMID programs with respect to general labour rights (especially child labour) and put in place processes to ensure rights are protected – a ‘due diligence’ process

Conduct a civil society mapping project

Develop a civil society engagement plan (relationship building and communication) based on the civil society map – targets, messages, mechanisms, feedback. Engagement is more than communication (see below), it involves building relationships.

Develop a communication program to establish BP’s independent nature (media and civil society). Such a program identifies audiences, messages, delivery mechanisms, etc.
Find a way to make public statements in support of fundamental freedoms and rights as good for business, in support of open societies

Broaden the work of the CEC with other museums on thematic exhibitions, and provide public days

**In Summary**

The above can be encapsulated in two main themes, the first of which can be broken down into three sub-themes –

1) **BP being better anchored in Azerbaijan, by**
   - Engaging more broadly and deeply with Civil Society
   - Supporting fundamental freedoms
   - Going further in anti-corruption

2) **Preparing for future expansion and construction**

We are assured by much of what we have seen that BP continues to take its social responsibilities seriously in Azerbaijan. We lend our support to much of what BP has done and is doing. We offer the company a set of challenges and advice intended to more firmly anchor BP in Azerbaijan society and grow its beneficial social impact. It is the nature of challenges that they appear extremely difficult, as no doubt these ones will to BP. But it is also the nature of challenges that they can be successfully pursued if accepted and boldly pursued.

We thank everyone in BP who contributed to putting the materials together for the ASRC meeting and for presenting and for answering our questions. Your efforts were very helpful to the Commission. We hope this report is also helpful to BP.

In the five years that this Commission has been in existence the operating context for BP has changed significantly, year by year. BP is to be commended for establishing the ASRC as an independent external voice; that in itself demonstrated BP’s concern for its social impact, and we believe it is a best practice example for the industry worldwide. Our final recommendation to BP is that it maintains and builds on that record of openness and engagement with the society in which it operates, and in so doing plays a major role in the sustainable development of Azerbaijan and its people.
Appendix – ASRC Membership

David Rice  Chair
Independent Adviser and Senior Associate, University of Cambridge Program for Sustainability Leadership

Farda Asadov  Chief of Arab Studies Department, Institute of Oriental Studies, Azerbaijan and formerly Executive Director, Open Society Institute Assistance Foundation in Azerbaijan

Sadagat Gambarova  Director, Labour Relations

Fikret Jafarov  Director and Chairman, Sustainable Development Society

Vasif Movsumzade  Student, Azerbaijan State Economic University

Rena Safaraliyeva  Executive Director, Transparency Azerbaijan

Gare Smith  Chair, Corporate Social Responsibility Practice, Foley Hoag LLP